ALBERTA TREASURY BRANCHES

ANNUAL • REPORT • 1989

90-06901/

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• INTRODUCTION •

MISSION STATEMENT TO OUR CUSTOMERS

We market five basic services to Albertans:

- Deposit Accounts
- Investment Programs
- Loans
- Mortgages
- Money Services

Along with these services we guarantee the following:

- Courtesy
- Integrity
- Commitment
- Service
- Security

Together with this pledge:

Should we ever inconvenience you, we will apologize, not argue with you.

If we should make a mistake, we will correct it, at our cost if necessary.

If we can't find a way to help you, we will tell you so honestly.

We believe good things happen when customers are well treated.

CORPORATE STRATEGY

To provide a banking alternative for Albertans, with particular responsibility for provision of service in outlying areas of the province.

To give special attention to lending activities pertaining to farming operations, small businesses, and consumer related financial needs.

To operate on a cost conscious, profit motivated basis, and to give fair value in exchange for income collected from customers for services rendered.

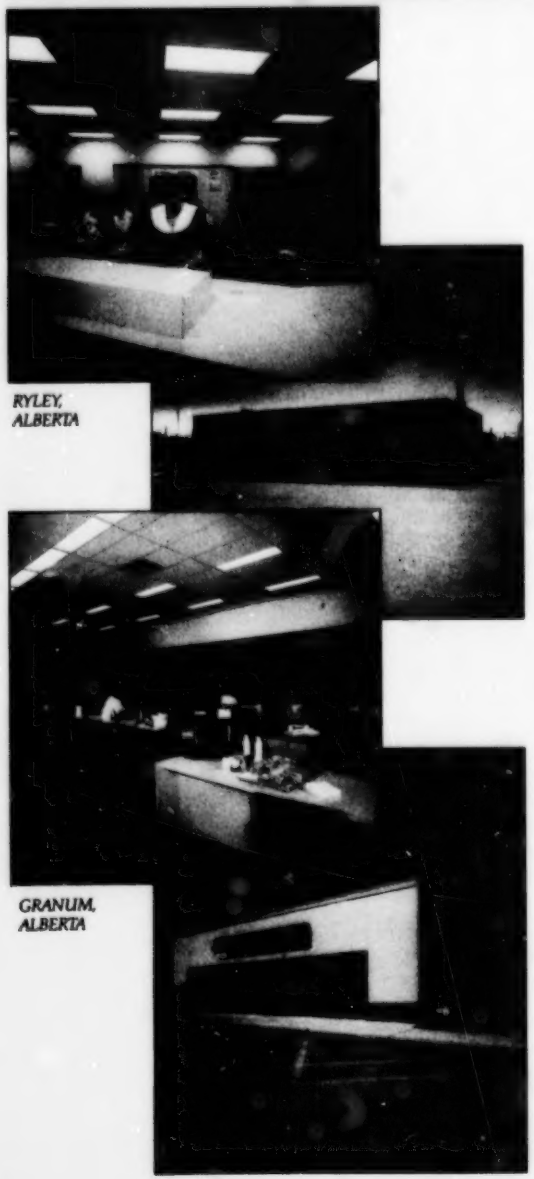
To carry out objectives designed to be of benefit to:

Four Key Stakeholder Groups

1. CUSTOMERS — Without customers the ATB could not exist, and they are therefore entitled to courtesy, service, commitment, integrity and security, at all times and at every level in the organization.
2. GOVERNMENT — The ATB is required as a Crown Agency, to function without operational subsidization, and carry out activities that are in harmony with overall Government policies and objectives.
3. EMPLOYEES — In keeping with the principle that human resources excellence is essential to the success of any service related business operation, ATB employees, in turn, are entitled to an atmosphere in which each individual can perform to his or her potential.
4. COMMUNITIES SERVED — Beyond provision of financial services, the organization and all employees are expected to be responsible citizens, working for and supporting worthwhile activities being carried out in such areas of the province where the ATB is represented.

CALGARY MAIN BRANCH

• 50 YEARS OF PROGRESS •



RYLEY, ALBERTA

GRANUM, ALBERTA

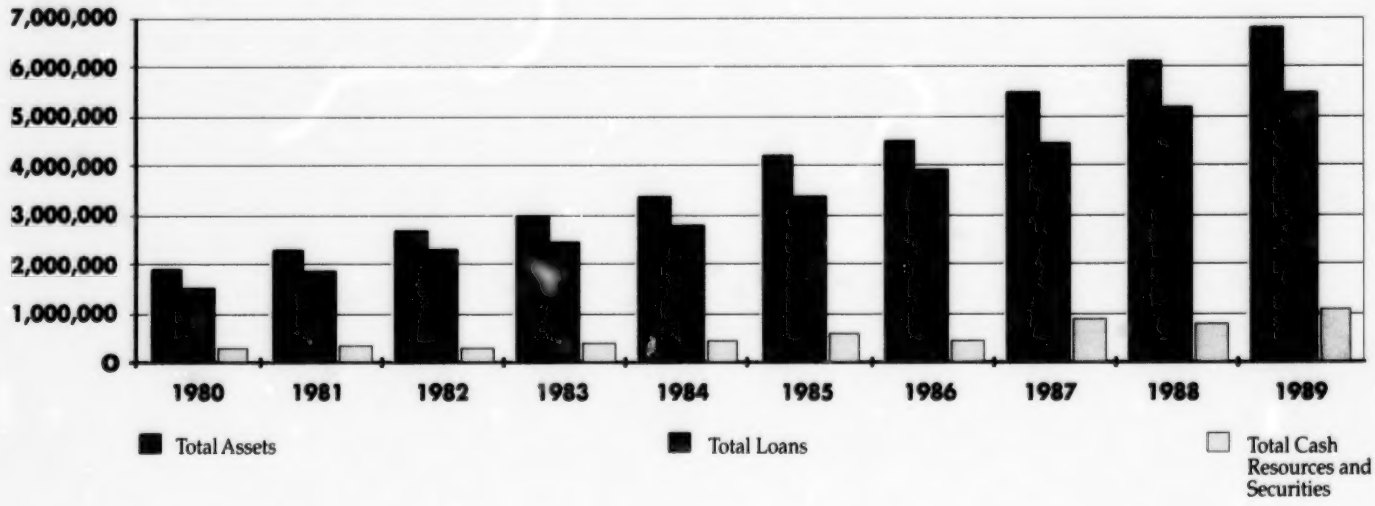
March 31	Loans ($ thousands)	Deposits ($ thousands)
1940	0	1,780
1941	0	2,697
1942	684	4,220
1943	1,112	6,609
1944	1,628	11,986
1945	2,222	20,898
1946	4,165	24,506
1947	7,095	25,976
1948	8,748	30,134
1949	10,251	32,474
1950	10,464	34,095
1951	13,509	32,115
1952	18,768	36,495
1953	18,448	41,484
1954	21,217	43,189
1955	20,721	42,953
1956	21,163	43,377
1957	26,164	49,714
1958	24,447	53,054
1959	28,501	58,395
1960	31,331	57,992
1961	36,087	63,635
1962	39,517	75,173
1963	48,710	89,811
1964	59,659	105,034

March 31	Loans ($ thousands)	Deposits ($ thousands)
1965	60,795	121,913
1966	68,638	135,217
1967	91,819	152,126
1968	100,733	167,992
1969	101,284	192,531
1970	121,724	221,390
1971	122,040	241,619
1972	147,295	285,882
1973	200,553	336,035
1974	330,525	503,234
1975	486,123	639,363
1976	675,292	822,568
1977	832,412	1,052,483
1978	977,741	1,229,688
1979	1,232,376	1,496,482
1980	1,535,266	1,882,808
1981	1,912,216	2,281,385
1982	2,333,695	2,656,589
1983	2,458,739	2,925,551
1984	2,840,842	3,365,974
1985	3,393,826	4,153,935
1986	3,922,420	4,527,539
1987	4,460,906	5,564,953
1988	5,184,863	6,198,818
1989	5,487,294	6,817,029

• FINANCIAL HIGHLIGHTS •

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Total Assets ($ thousands)	6,793,802	6,153,041	5,519,593	4,520,876	4,231,680	3,422,157	2,994,314	2,711,665	2,334,776	1,928,601
Total Loans ($ thousands)	5,487,294	5,184,863	4,460,906	3,922,420	3,393,826	2,840,842	2,458,739	2,333,695	1,912,216	1,535,266
Total Cash Resources and Securities ($ thousands)	1,125,739	821,419	938,169	477,015	695,909	473,086	426,441	327,846	376,006	355,319

Financial Highlights (In thousands)



• SUPERINTENDENT'S REMARKS •

Four years ago ATB set out to accomplish two things. The first was a return to profitability, without outside assistance, which we estimated would take upwards of five years. The second was thereafter to address the Capital Deficit which, in the main, was a consequence of loan losses sustained as a result of the severe economic downturn experienced in Alberta during the first half of the current decade.

We would have been further ahead in the first stage of our plan had it not been for the need to expend considerable funds to establish a fully integrated on-line banking system which was completed in 1988. Not having carried this out would have seen us unable to offer comparable services to our customers. As well, during this period a need was perceived with regard to assisting Alberta businesses, farmers and individuals with loans that might not otherwise have been available from conventional sources. Thus, we expanded our activities at a time when it would have been preferable to reduce the attendant operating cost increase that parallels expansion and impacts on profitability.

While a return to profitability in four years rather than five would have been desirable, the way is now clear for us to proceed with addressing our capital deficiency. How long this will take is to a large degree dependent upon factors outside our control. Although the Alberta economy is strengthening, the impact of enforced high interest rates throughout Canada is a detriment to our profit margins, produces unnecessary loan defaults through the inability of some borrowers to debt service, and generally causes capital expansions in the business area, which we normally finance, to be deferred.

The progress we have made to date would not have been possible without the support of thousands of Albertans and the hard work and determination of our 3,000 employees. A debt of gratitude is also owed to the Government of Alberta and, in particular, our Minister, the Honourable Dick Johnston, for the understanding and patience that gave us the needed time to resolve the difficulties we have encountered over the last several years.

A.O. Bray
Superintendent

• CORPORATE ORGANIZATION •

Office of the Superintendent

A.O. Bray
Superintendent

B. White
Administrative Assistant

J.L. Briscoe
Executive Manager
Public Affairs

Head Office

E.S. Leahy
Senior Assistant Superintendent
Administration

M.E. Budd
Assistant Superintendent
Administration

J.R. Zook
Executive Assistant
Administration

R.B. Douglas
Senior Assistant Superintendent
Credit

L.L. Trekofski
Assistant Superintendent
Credit

R.K. Bennett
Chief Inspector

B. Sadre-hashemi
Assistant Chief Inspector

L.M. Symyrozum
Assistant Chief Inspector

Calgary General Office

W.C. Tough
Senior Assistant Superintendent

W. Peters
Assistant Superintendent

Edmonton General Office

L.R. Bellan
Senior Assistant Superintendent

D.A. Goebel
Assistant Superintendent

General Managers

J.D. Appleyard
Automated Services

E.G. Bateman
Instalment Loans

J.L. Callaghan
Edmonton General Office

L.C. Campbell
Calgary General Office

J.W. Fowle
Administration

G.C. Hommy
Edmonton General Office

G.R. Lane
Agriculture

W.N. Martinson
Domestic & International
Funding & Marketing

V. Neufeld
Calgary General Office

E.W. Peterson
Calgary Main Branch

T.E. Semeniuk
Edmonton Main Branch

C.W. Warnock
Comptroller

Assistant General Managers and Departmental Heads

D.E. Alfrey
MasterCard

K.A. Annett
Human Resources

M.M. Berger, AGM
Instalment Loans

J.V. Bischoff, AGM
Edmonton General Office

J.P. Buckley
Security

K.C. Pettapiece
Instalment Purchase Plan -
Edmonton

G.D. Fraser
Instalment Purchase Plan -
Calgary

A.A. Hartung, AGM
Calgary General Office

C.M. Hochhausen, AGM
Edmonton General Office

R.A. Regnitter, AGM
Edmonton General Office

N.W. Schaefer, AGM
Instalment Loans

T.J. Schaeffer, AGM
Calgary General Office

J.A. Templeton
Oil & Gas Financing

R.L. Zsombor, AGM
Administration

The Honourable Dick Johnston
Provincial Treasurer
224 Legislature Building
Edmonton, Alberta
T5K 2B6

Office of the Superintendent
12th Floor
9925 - 109 Street
Edmonton, Alberta
T5K 2J8

Head Office
12th Floor
9925 - 109 Street
Edmonton, Alberta
T5K 2J8

Calgary General Office
Canadian Western Centre Phase II
9th Floor
919 - 11th Avenue S.W.
Calgary, Alberta
T2R 1P3

Edmonton General Office
9th Floor
9925 - 109 Street
Edmonton, Alberta
T5K 2J8

• OUR PEOPLE •

The greatest resource of the Alberta Treasury Branches is our people. Over 3,000 dedicated individuals take pride in their service to the people of Alberta. Through direct contact with our customers in a Branch or Agency, behind the scenes supporting the automated banking system or at the Head Office/General Office level, service to the customer is our number one priority.

Ongoing staff development is essential. In 1988-1989, several initiatives have been taken. To supplement the new "Synergy" Banking System, both on-the-job and classroom training was provided to employees. The installation of personal computers in the Branches has lead to training sessions for staff at both the beginner and advanced levels. Business applications of Lotus 1-2-3 and DisplayWrite 4 are being utilized. Our library of Training Video Tapes and Audio Tapes has been expanded with Branches making wide use of the offerings. All Branches have been equipped with TV's and VCR's to enhance the learning process on-site.

MEZZANINE LEVEL, EDMONTON MAIN BRANCH

Our Branch Administration Training Program continues to develop our management staff of the future. Recruitment of candidates is done both internally and from post-secondary institutions throughout Alberta. Attendance at "Career Day" events was expanded this year to include more regional institutions, and employees have spoken at high schools throughout the province as well.

Employees continue to participate in customer service, supervisory, operations and stress seminars that are held in-house. Next year will see the implementation of credit seminars. Employees are also encouraged to expand their knowledge through extension courses via correspondence or evening classes. Upon successful completion of required work-related courses, employees are recognized for their accomplishment.

An Outstanding Achievement Award has been introduced this year. The award system is presented to employees who excel in a particular area or display a dedication to their work above and beyond the call of duty.

All of our training programs are designed for one purpose — to train our staff to provide customer service par excellence. The team concept is apparent in Alberta Treasury Branches. Each Branch or Agency puts their team at the customer's disposal.

How can we help you today? Just ask any one of us. That's why we're here.

• MONEY •

EDMONTON, KILLARNEY BRANCH

Improvement was evident in our fiscal year ending March 31, 1989, despite many adverse conditions in the economy and the markets.

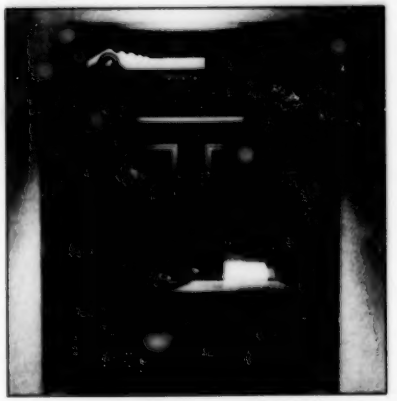
Growth throughout the ATB system continued at a steady rate with deposits increasing by 9.97% over 1988 and total loans, net of loss provision, at 5.83% showing totals of $6.8 billion and $5.5 billion respectively.

The deficit for the period was slashed by almost 74% from 1988's deficit of $24.8 million and 80.3% of 1987's $32.5 million. An impressive feat by our people considering the cost of purchasing and installing expensive integrated computer systems coupled with our commitment to meet Albertans requirements during these difficult times.

ATB strengthened its efforts to improve its liquidity and, while a conservative approach continues to be practiced, increased the level 37% to $1.1 billion, approximately 16% of liabilities.

Another encouraging result of more stringent controls was the 48% decrease in the provision for credit losses. This will reflect favourably in the years to follow.

Also impacting on the profit picture was the decrease in renegotiated reduced rate loans by 35.9% and non-accrual loans by 7.4%.

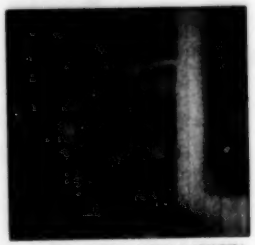


YOUR PASSKEY TO 24-HOUR SERVICE

Agencies

Alberta Treasury Branches values its customers and endeavours to provide the best possible service and convenience to all Alberta residents.

The ATB Agency network provides financial services to over 120 communities in the province. Through our Agents, ATB is able to offer valuable financial services to the residents of many communities who would otherwise not have access to any financial institution.



ATB AGENT, NEW SAREPTA

In September, ATB opened its 121st Agency in New Sarepta. Our Agent, Lana Kellert, has shown the exceptional spirit and service provided by ATB. Lana has indicated people in her community appreciate the personal service supplied by her Agency.

We are proud to have her on our team.

AUTOMATED SERVICES CONTROL ROOM

Automation 1988/89

The strategic direction established three years ago to overhaul and accelerate automation of our customer and corporate systems, has this year commenced paying dividends with the successful completion of a number of major activities:

Banking System

The "Synergy" Banking System purchased was implemented into our full 132 Branch network, a fully integrated on-line customer based system enabling us to provide a complete range of automated services including Interbranch Banking. This system is the cornerstone on which we will build and expand our customer services and products in a highly competitive environment.

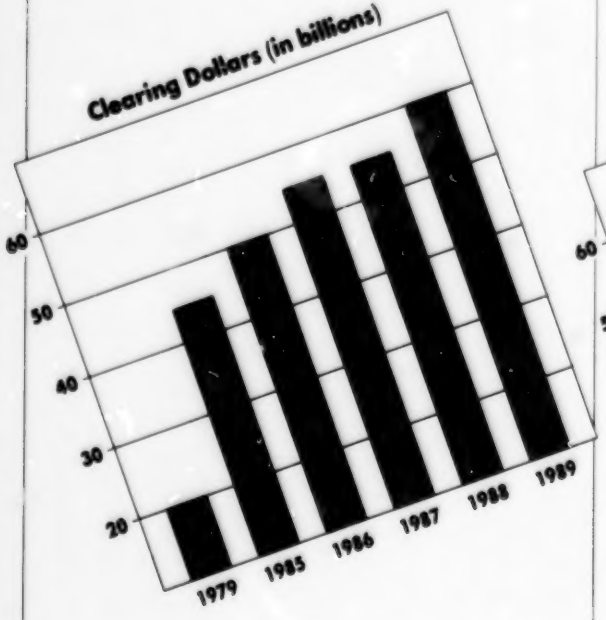
New Facility

In November, we relocated Automated Services, Calgary General Office, and Electronic Data Processing Audit to new premises. The computer facility is designed and installed with the latest in technology to ensure continuous operations well into the future. In conjunction with our facility, we have contracts in place for backup computer sites for both clearing and computer operations should we ever have a prolonged interruption of service. To support our growing operations and to provide quality computer services, our computer

facility now operates 24 hours per day, 7 days a week.

Corporate Systems

Corporately, to support Head Office functions, we have strategically implemented Software Systems which currently include accounts payable, general ledger, human resources, and fixed assets. These systems are being expanded to interface with a budgetary control system to provide a fully integrated corporate systems environment.

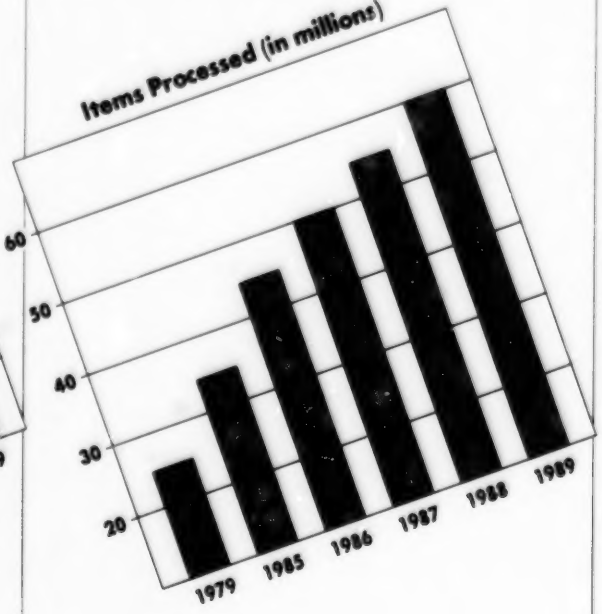


Document Processing Centre

Over the past year we are encouraged with the continued strong growth in our account base to 828,143 in total, and particularly our customer cheque processing volumes.

Personal Computers — Office Automation

We have taken the direction to provide office automation (Personal Computers) to our Branch network through 1991, and currently support 215 PCs in 31 Branches and Head Office Departments.



Future

We are excited about the future of automation in Alberta Treasury Branches and how it will benefit our customers. We are committed to providing a wide range of exciting new services through the use of a new Electronic Services Passkey — "Customer Card", scheduled for introduction early next year. This card will provide access to Alberta Banking Machines (ABMs) for deposits, withdrawals, transfers, bill and loan payments in over 100 locations throughout the province and ,in July, cash withdrawals at all banking machine locations across Canada displaying the "INTERAC" logo. Another new service, "Anytime Banking" will allow customers to perform banking transactions in the convenience of their home with the use of a touch tone telephone.

Other developments include our Registered Retirement Savings Plans which are to be incorporated into our Synergy Banking System. Work is also underway on our "Point of Sale" debit card. This will allow customers the opportunity to pay for goods and services directly from their account without the use of cheques or cash.

Local Communities — ATB Traveller

Another "something extra" offered to Albertans from Alberta Treasury Branches.

The ATB Traveller is a completely self-contained, 30-foot motorhome which has been specially equipped with display and audio aid. The Traveller has a P.A. system for outside announcements and a cassette deck with radio.

It has participated throughout the province at various events from parades, rodeos, horse shows, fairs and even anniversary homecomings.

The Traveller is provided free of charge to communities throughout Alberta.

From April 1, 1988 to March 31, 1989 the ATB Traveller participated in over 53 events staged in Alberta. The demand for the Traveller grows each year and in the upcoming year we hope to make it even better.

Mobile Astronomy Program (M.A.P.)

Alberta Treasury Branches is a proud sponsor of the Mobile Astronomy Program known as M.A.P. The program is operated by the Edmonton Space Sciences Centre Foundation.

The program involves a mobile (portable) planetarium which travels from site to site around Alberta, as well as a smaller, simpler inflatable planetarium unit.

The mobile planetarium was set up in Lethbridge during May and June 1988. Eighteen school shows and three public shows per week were presented. In July 1988 the planetarium was at the Calgary Stampede and from there moved to the Edmonton Klondike Days. The three month attendance from May to July was over 8,000. The inflatable planetariums were loaned to over 13 schools in rural areas, with over 13,000 school children participating in the program. In addition, the units were used for special courses in Vermilion, Blue Lake Centre and Pigeon Lake.

ATB is pleased to handle this successful program as we are strong believers in the education of Alberta's youth.

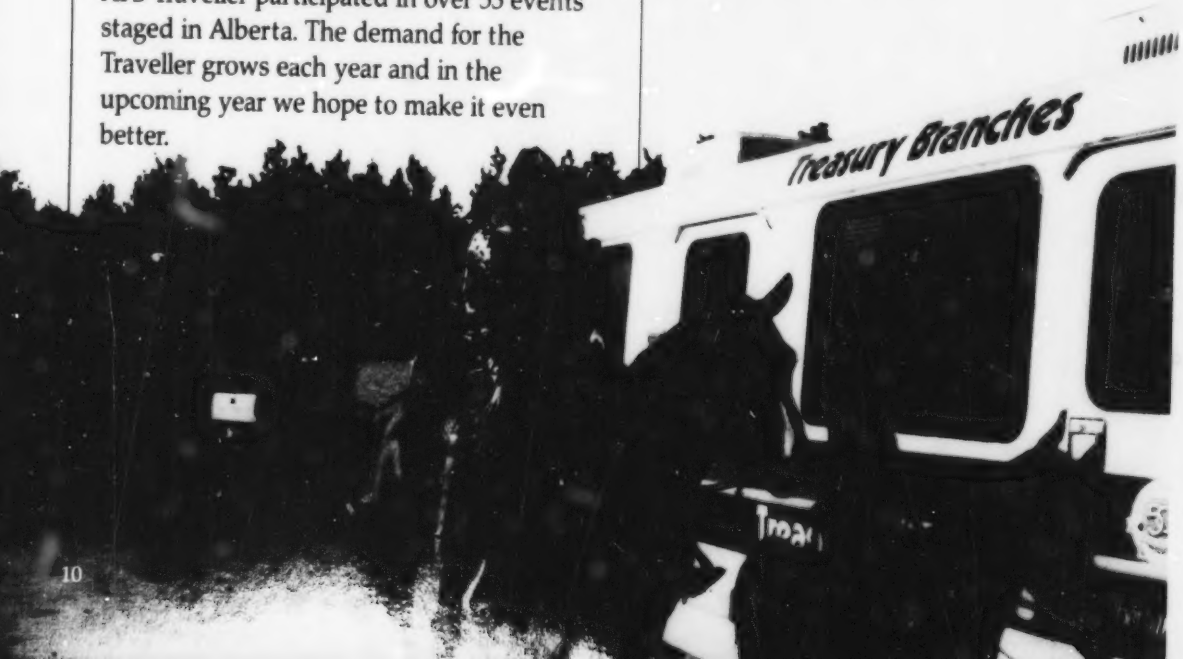
Owls Club

The ATB Owls Club is a program designed to encourage thrift while giving Alberta youngsters an opportunity to learn about interest, finances and Alberta Treasury Branches.

Anyone 14 years of age and under can join the club. Members have the option of receiving a passbook or statement. Regularly, entertaining newsletters and birthday cards are sent out. From time to time we offer prizes and gifts to participating members.

Many Branches have their own campaigns where members can win valuable prizes.

ATB believes Alberta youth are our future and we plan to expand upon our Owls Club Program in the years to come.



ATB TRAVELLER VISITING A RURAL ALBERTA COMMUNITY

• SPECIAL FEATURES •

Priority Plan

The Priority Plan is a unique plan created for people 55 years of age or older.

ATB recognizes these people by providing bonuses and privileges exclusively to them. Priority Plan Members are entitled to:

- Free chequing privileges on personal PASS and Current Accounts
- Reduced safe deposit box fees
- Preferred rate loans
- Free money orders
- Free utility bill payments
- Free travellers cheques

And more:

With the plan participants can earn ¼ of 1% interest premium on our Albertan Plus Account or Guaranteed Investment Certificate & Term Deposit (minimum of $5,000 — maturity three years or longer).

Tiered Interest Rate Accounts

To better serve Albertans, ATB has, over the years, introduced many new products and services.

With the conversion to a completely on-line system, we are able to provide tiered interest rate accounts. Two of these accounts are the Guaranteed Investment — GIS III Account and the Albertan Plus Account.

The accounts pay interest on the daily closing balance calculated on a "tiered range" which is credited on the last day of each month.

We are committed to developing more efficient and convenient electronic services, such as these two different, yet unique accounts.

4-H

The Agricultural industry is very important to Alberta and ATB has introduced the following Programs in support of young Albertans involved in 4-H.

Marketable Livestock Loan Program — provides assistance up to $1,000 to purchase a project animal (Beef, Sheep, Hogs).

Annual Scholarship Program — $1,000 in each of the seven 4-H Regions for students attending an Alberta University.

Award of Excellence Program — a series of Medallions — Bronze, Silver, Gold and Platinum awarded to 4-H members achieving certain goals.

ATB SUPPORTS 4-H

• AUDITOR'S REPORT •

To the Provincial Treasurer

I have examined the statement of assets and liabilities of the Treasury Branches Deposits Fund as at March 31, 1989 and the statements of income, equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Donald D Salmon

Edmonton, Alberta
June 14, 1989

F.C.A.
Auditor General

Statement of Assets and Liabilities

Treasury Branches Deposits Fund
As At March 31, 1989
($ in thousands)

Assets	1989	1988
Cash Resources		
Cash	$ 20,813	$ 17,000
Deposits with banks	654,705	454,646
Cheques and other items in transit, net	46,728	24,577
	722,246	496,223
Securities (Note 3)		
Issued or guaranteed by Canada	151,743	163,591
Issued or guaranteed by provinces, municipalities and school districts	37,502	21,385
Other securities	214,248	140,220
	403,493	325,196
Loans (Note 4)		
Mortgage loans	1,400,605	1,312,544
Other loans	4,086,689	3,872,319
	5,487,294	5,184,863
Other		
Land, buildings and equipment (Note 5)	62,533	58,581
Other assets (Note 6)	118,236	88,178
	180,769	146,759
	$6,793,802	$6,153,041

The accompanying notes are part of these financial statements

Liabilities	1989	1988
Deposits (Note 7)		
Payable on demand	$ 927,226	$ 830,131
Payable after notice	1,197,363	859,670
Payable on a fixed date	4,692,440	4,509,017
	6,817,029	6,198,818
Other Liabilities (Note 8)	126,138	97,181
Equity (Deficit)	(149,365)	(142,958)
	$6,793,802	$6,153,041

Statement of Income

Treasury Branches Deposits Fund
For the Year Ended March 31, 1989
($ in thousands)

	1989	1988
Interest Income		
Income from loans	$591,516	$500,064
Income from securities	91,980	63,914
Total interest income	683,496	563,978
Interest on deposits	533,037	414,372
Net interest income	150,459	149,606
Provision for credit losses	37,908	73,447
Net interest income after provision for credit losses	112,551	76,159
Other income	23,611	31,014
Net interest and other income	136,162	107,173
Non-Interest Expense		
Salaries	80,098	76,481
Pension contributions and other staff benefits	9,933	9,193
Premises and equipment expenses, including depreciation	29,526	24,418
Other expenses	23,012	21,897
Total non-interest expenses	142,569	131,989
Net Income (deficit) for the Period	$ (6,407)	$ (24,816)

Statement of Equity
Treasury Branches Deposits Fund
For the Year Ended March 31, 1989
($ in thousands)

	1989	1988
Equity (Deficit) at beginning of year	**$(142,958)**	$(118,142)
Net Income (Deficit) for year	**(6,407)**	(24,816)
Equity (Deficit) at end of year	**$(149,365)**	$(142,958)

Statement of Changes in Financial Position

Treasury Branches Deposits Fund
For the Year Ended March 31, 1989
($ in thousands)

	1989	1988
Operating activities:		
Net income (deficit) for the year	**$ (6,407)**	$ (24,816)
Depreciation and amortization	**10,193**	7,270
Provision for credit losses	**37,908**	73,447
Increase in other liabilities	**13,219**	18,999
Increase in other assets	**(30,058)**	(22,315)
Net increase in cash resources and securities provided by operating activities	**24,855**	52,585
Banking activities:		
Increase in loan assets	**(324,601)**	(792,004)
Increase in deposits	**618,211**	633,865
Net increase (decrease) in cash resources and securities provided by banking activities	**293,610**	(158,139)
Investment activities:		
Increase in land, buildings and equipment	**(14,145)**	(11,196)
Increase (decrease) in the cash resources and securities for the year	**$304,320**	$(116,750)

Treasury Branches Deposits Fund

March 31, 1989

Note 1 — Authority

The Treasury Branches Deposits Fund operates under the authority of the Treasury Branches Act, Chapter T-7, Revised Statutes of Alberta 1980 as amended.

Note 2 — Significant Accounting Policies

(a) Securities

Securities are carried at the lower of cost or net realizable value (Note 3). Gains and losses on disposal of securities are included in income in the year in which they occur.

(b) Loans

Loans are stated net of any unearned income and an allowance for loan losses established to recognize anticipated losses. Interest is recorded on the accrual basis for all satisfactory loans and accrued interest on loans is reported in other assets in the Statement of Assets and Liabilities.

A loan is classified as non-accrual when, in the opinion of management, there is doubt as to the ultimate collectibility of some portion of principal or interest. A loan where payment of interest is contractually past due 180 days is classified as non-accrual unless management determines there is no reasonable doubt as to the ultimate collectibility of interest or principal. When a loan is classified as non-accrual, all uncollected interest is reversed against interest income of the current year. Interest payments received on a loan subsequent to its classification as non-accrual are not recorded as income until such time as any specific provision has been reversed and it is deemed that the loan principal is no longer at risk.

An allowance for credit losses is maintained in an amount considered adequate to absorb credit losses. Credit losses arise primarily from loans but also from credit instruments such as loan guarantees and letters of credit. The allowance is increased by a provision for credit losses which are charged to income and reduced by write offs net of recoveries.

Provisions on loans are established on an individual loan basis to reduce the book value to estimated realizable values.

The allowance for credit losses is deducted from the related asset category except amounts provided for loan guarantees and letters of credit which are included in other liabilities.

Loan fees are recognized in income over the appropriate lending or commitment period.

(c) Land, Buildings and Equipment

Land is carried at cost. Buildings, equipment and leasehold improvements are carried at cost less accumulated depreciation or amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the related assets. Gains and losses on the disposal of fixed assets are recorded in the Statement of Income in the year of disposal.

(d) Translation of Foreign Currencies

Foreign currency assets and liabilities are translated into Canadian dollars at prevailing year-end rates.

Foreign currency income and expenses are translated into Canadian dollars at the average rate throughout the year.

Realized and unrealized gains and losses on foreign currency transactions are included in other income in the Statement of Income. Foreign exchange positions are hedged as much as practicable by forward exchange contracts.

Note 3 — Securities ($ in thousands)

Securities are summarized as follows:

	Securities issued or guaranteed by			
	Canada	Provinces, Municipalities, and School Districts	Other	Total
Year of maturity:				
Within one year	$151,743	$37,502	$214,175	$403,420
No specific maturity	—	—	73	73
March 31, 1989	$151,743	$37,502	$214,248	$403,493
March 31, 1988	$163,591	$21,385	$140,220	$325,196

The approximate market value of securities at March 31, 1989 was $403,509 (1988: $325,204).

Note 4 — Loans ($ in thousands)

Loans are stated net of an allowance for credit losses established to recognize anticipated losses, and are summarized as follows:

	1989	1988
Residential mortgages and personal financing	$1,647,699	$1,544,069
Agricultural programs	880,857	825,168
Small business programs	425,921	400,127
Commercial loans and mortgages	1,842,656	1,754,288
Government guaranteed	73,324	24,476
General purpose	287,373	277,675
Foreign currency	50,456	36,908
Renegotiated reduced rate	43,200	67,479
Non-accrual	235,808	254,673
Total Loans	$5,487,294	$5,184,863

Note 5 — Land, Buildings and Equipment ($ in thousands)

Land, buildings and equipment are summarized as follows:

	1989			1988
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	$ 7,564	$ —	$ 7,564	$ 7,531
Branch premises	36,794	14,711	22,083	21,720
Equipment	43,690	21,965	21,725	14,982
Equipment leased	—	—	—	5,200
Staff housing	6,609	3,368	3,241	3,910
Leasehold improvements	14,088	6,198	7,890	5,238
Automobiles	30	—	30	—
	$108,775	$46,242	$62,533	$58,581
March 31, 1988	$ 98,757	$40,176		

Note 6 — Other Assets ($ in thousands)

Other assets are summarized as follows:

	1989	1988
Accrued interest receivable	$112,989	$83,116
Other items, including accounts receivable and prepaid items	5,247	5,062
	$118,236	$88,178

Note 7 — Deposits ($ in thousands)

The repayment of all deposits, including accrued interest is guaranteed by the Crown in right of Alberta.

Deposits are summarized as follows:

	1989	1988
Deposits by Canada	$ 5,474	$ 1,373
Deposits by Province of Alberta	649,444	637,979
Deposits by Others	6,162,111	5,559,466
	$6,817,029	$6,198,818

Deposits by Province of Alberta, include deposits for loans made under the Alberta Farm Credit Stability Program and the Alberta Small Business Term Assistance Plan in the amount of $577,849 (1988: $555,430).

• NOTES TO FINANCIAL STATEMENTS •

Note 8 — Other Liabilities ($ in thousands)

Other liabilities are summarized as follows:

	1989	1988
Accrued interest payable	$ 95,373	$71,630
Other items, including accounts payable and accruals	30,765	25,551
	$126,138	$97,181

Note 9 — Leases ($ in thousands)

The Fund has obligations under long-term non-cancellable operating leases for premises. The future minimum lease payments for each of the next five years and thereafter are:

Year ending March 31, 1990	$ 7,974
1991	6,529
1992	6,148
1993	5,364
1994	4,761
1995 and thereafter	23,835
Total	$54,611

Note 10 — Contingent Liabilities ($ in thousands)

In the normal course of business the Fund has contingent liabilities for letters of credit and loan guarantees, which are not included in the Statement of Assets and Liabilities. In the event of a call on any of these commitments, the Fund has recourse against the customer.

At March 31, 1989 the potential liability of the Fund under guarantees and letters of credit amounted to $415,505 (1988: $355,661).

Note 11 — Comparative Figures

The 1988 figures have been reclassified where necessary to conform to 1989 presentation.

Note 12 — Approval of Financial Statements

These financial statements were approved by management.

• FINANCIAL REVIEW •

Despite numerous uncertainties in the world economy during 1988, many of which impact here, Alberta continued to progress. The prospects for 1990 are even more favourable. With these positive indicators before us, it is expected the ATB will experience growth and expansion of services well into the next decade.

Deposits

Deposits grew 9.97% to over $6.8 billion, due in part to the success of our retail deposit programs and highly competitive rates.

Interest Rate Sensitivity Management

Interest rate sensitivity relates to all components of ATB's asset and liability categories which have repayment dates or future dates when the rate of interest earned or paid is subject to change. The degree to which earnings can be affected by interest rate fluctuations is defined as interest rate sensitivity. Mismatches occur when assets and liabilities have different maturity dates and this results in interest rate risk.

The Industry often refers to a mismatched position as an interest rate gap, consequently, both terms describe the same situation. If the cost of deposits decreases faster than loan rates, the spread increases and the reverse

EDMONTON EXECUTIVE AREA, HEAD OFFICE

would hold true if loan rates increase faster than deposit rates.

It is important to manage these interest rate gaps, as interest rate fluctuations can increase income or conversely reduce our spreads.

The management of the mismatch is based on liquidity requirements, prevailing expectations as to the direction of rates, as well as the availability of cost effective interest rate swaps, financial futures, and future rate agreements.

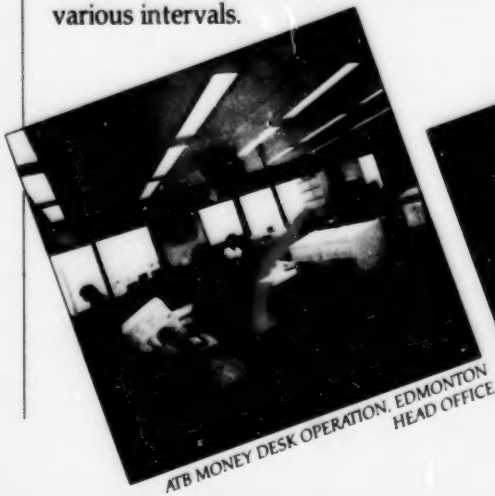
The gap management policy is subject to review by our Asset/Liability Committee. A careful implementation of this policy has resulted in a reduction of the interest rate gap to 6.58% from 12.08% a year earlier for maturities over 1 year.

Table 1 outlines Alberta Treasury Branches interest rate sensitivity position as at March 31, 1989. Interest rate gaps are shown in various intervals.

Interest Rate Sensitivity Position
As at March 31, 1989 ($ in thousands)

TABLE 1

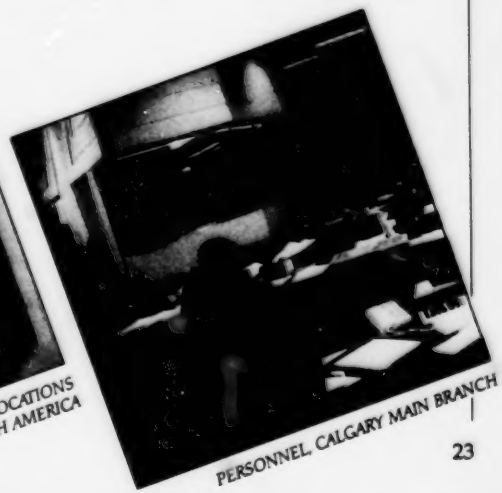
	Up to 1 Month	1 to 3 Months	3 Months to 1 Year	Over 1 Year	Non-Interest Sensitive	Total
Assets						
Cash					$ 20,813	$ 20,813
Cash resources and securities	$ 456,460	$358,009	$ 209,589	$ 25,000	55,868	1,104,926
Loans	2,522,070	112,309	761,206	2,091,709	—	5,487,294
Land, buildings and equipment	—	—	—	—	62,533	62,533
Other Assets	—	—	—	—	118,236	118,236
Total Assets	$2,978,530	$470,318	$ 970,795	$2,116,709	$257,450	$6,793,802
Liabilities						
Deposits	$2,321,408	$699,530	$1,183,901	$1,686,772	$925,418	$6,817,029
Other liabilities	—	—	—	—	126,138	126,138
Equity	—	—	—	—	(149,365)	(149,365)
Total Liabilities	$2,321,408	$699,530	$1,183,901	$1,686,772	$ 902,191	$6,793,802
($ in millions)						
Interest Rate Sensitivity Gap 1988/89	$ 657	$ (229)	$ (213)	$ 430		
Interest Rate Sensitivity Gap 1987/88	$ 1,197	$ (456)	$ (465)	$ 742		



ATB MONEY DESK OPERATION, EDMONTON HEAD OFFICE

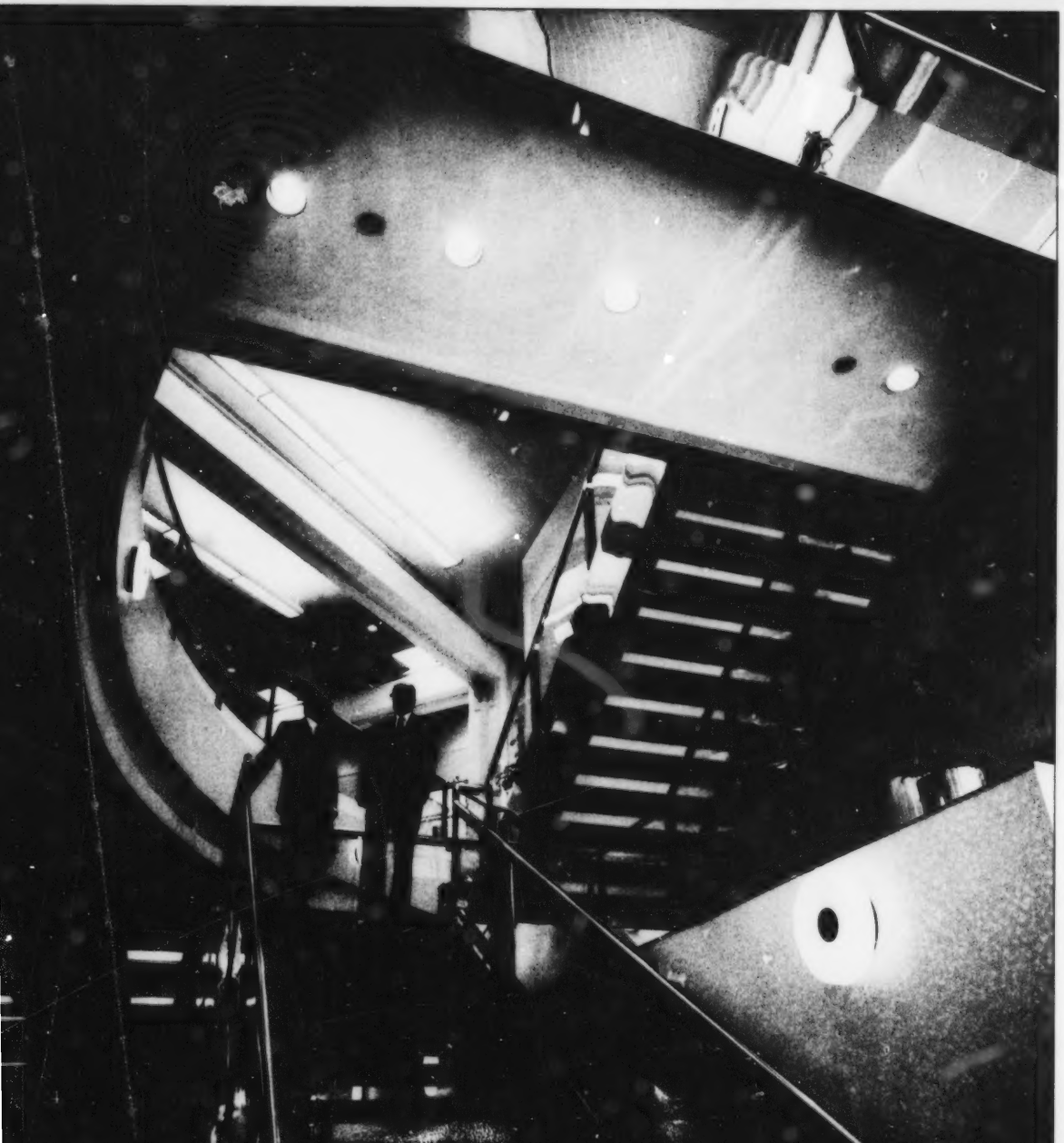
STAFF DEVELOPMENT SEMINAR, CALGARY

ACCESS AT OVER 33,000 LOCATIONS IN NORTH AMERICA



PERSONNEL, CALGARY MAIN BRANCH

• FINANCIAL REVIEW •



Investment Strategy

Alberta Treasury Branches exercises a short term investment strategy in order to maintain a high liquidity position and maximize investment income.

Among investment objectives, the satisfying of immediate cash requirements, proper matching of maturities and high investment income were emphasized.

Liquidity Management

Liquidity means having sufficient funds available to satisfy all financial obligations, including outflows of funds through withdrawals, loan disbursements, etc.

Alberta Treasury Branches has a conservative approach towards liquidity management. Its level of liquidity is carefully monitored and maintained within limits believed to be prudent and comfortable.

Our liquidity level at the end of fiscal year 1989 amounted to $1.1 billion or 15.13% of liabilities.

MANAGEMENT PERSONNEL, EDMONTON MAIN BRANCH

• FINANCIAL REVIEW •

Loans and Mortgages

ATB's 5.83% growth in loans reflects the impact of enforced high interest rates and the economy in general.

Non-Interest Expenses

Non-Interest Expenses in 1989 were $142.6 million, compared to $132.0 million in 1988. There was an improvement in Non-Interest Expenses as a percentage of average assets from 2.26% in 1988 to 2.20% in 1989.

Non-Productive Assets

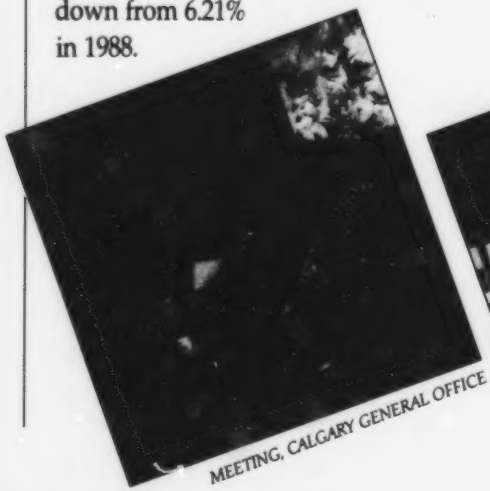
ATB continues its effort to recognize non-productive loans early and has again this fiscal year by reducing Renegotiated Reduced Rate Loans by 36% and Non-Accrual Loans by 7.4%. These two loan categories now comprise 5.08% of our total loan portfolio, down from 6.21% in 1988.

Provision For Credit Losses

A significant improvement has been achieved by ATB in this area as high credit losses have been experienced over the past several years. The provision for credit losses has been decreased by 48% through continued efforts of credit personnel directed by a Special Debts Committee.

Total Assets

ATB's assets increased a healthy 10.4% to a record high of $6.79 billion during the last fiscal year. Of this, $1.1 billion is in an improved liquidity state.



MEETING, CALGARY GENERAL OFFICE

CALGARY MAIN BRANCH

SENIOR STAFF, DOMESTIC AND INTERNATIONAL FUNDING

MEETING, EDMONTON MAIN BRANCH

• THE PAST TEN YEARS •

Financial Position at End of Year ($ thousands)

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Total assets	6,793,802	6,153,041	5,519,593	4,520,876	4,231,680	3,422,157	2,994,314	2,711,665	2,334,776	1,928,601
Total cash resources and securities	1,125,739	821,419	938,169	477,015	695,909	473,086	426,441	327,846	376,006	355,319
Mortgages and loans	5,487,294	5,184,863	4,460,906	3,922,420	3,393,826	2,840,842	2,458,739	2,333,695	1,912,216	1,535,266
Deposits	6,817,029	6,198,818	5,564,953	4,527,539	4,153,935	3,365,974	2,925,551	2,656,589	2,281,385	1,882,808

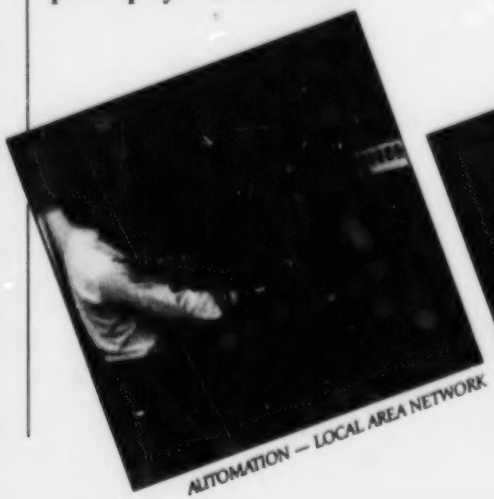
Financial Results for the Year ($ thousands)

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Total interest income	683,496	563,978	497,754	471,100	460,235	345,149	397,892	409,452	282,026	209,025
Interest on deposits	533,037	414,372	375,184	354,291	346,605	231,533	305,422	328,685	203,138	148,372
Net interest income	150,459	149,606	122,570	116,809	113,630	113,616	92,470	80,767	78,888	60,653
Provision for credit losses	37,908	73,447	56,203	109,379	32,448	40,307	17,860	8,636	5,054	3,830
Net interest income after provision for credit losses	112,551	76,159	66,367	7,430	81,182	73,309	74,610	72,131	73,834	56,823
Other income	23,611	31,014	25,575	16,390	16,528	10,145	6,940	6,573	5,562	5,028
Net interest and other income	136,162	107,173	91,942	23,820	97,710	83,454	81,550	78,704	79,396	61,851
Total non-interest expenses	142,569	131,989	124,397	123,147	108,713	102,728	95,245	76,601	61,288	46,533
Net income (deficit) for the period	(6,407)	(24,816)	(32,455)	(99,327)	(11,003)	(19,274)	(13,695)	2,103	18,108	15,318

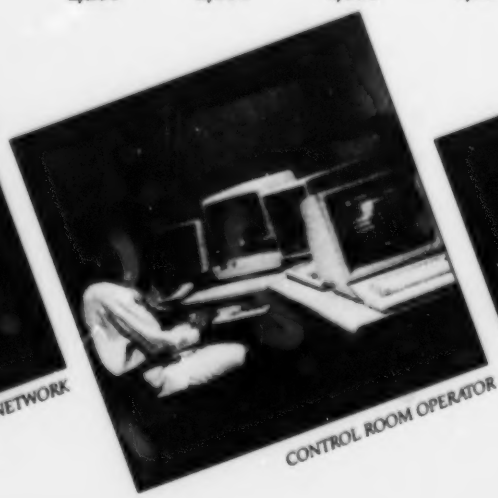
NOTE: For the purposes of this report, prior years financial information has been restated where necessary to conform with the presentation used in 1989.

• STATISTICAL REVIEW •

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
Branches	132	132	131	130	130	130	128	122	113	108
Agencies	121	117	112	113	109	108	101	100	99	97
Total	253	249	243	243	239	238	229	222	212	205
Employees	3,089	2,946	2,981	2,912	2,752	2,718	2,679	2,624	2,389	2,052
Accounts	828,143	758,945	715,507	674,672	633,987	607,744	581,552	532,987	502,182	465,449
Loans ($ thousands)	$5,487,294	$5,184,863	$4,460,906	$3,922,420	$3,393,826	$2,840,842	$2,458,739	$2,333,695	$1,912,216	$1,535,266
Loans administered per employee ($ thousands)	1,778	1,760	1,496	1,347	1,233	1,045	917	889	800	748
Deposits ($ thousands)	$6,817,029	$6,198,818	$5,564,953	$4,527,539	$4,153,935	$3,365,974	$2,925,551	$2,656,589	$2,281,385	$1,882,808
Deposits administered per employee ($ thousands)	2,206	2,104	1,866	1,554	1,509	1,238	1,092	1,012	955	917

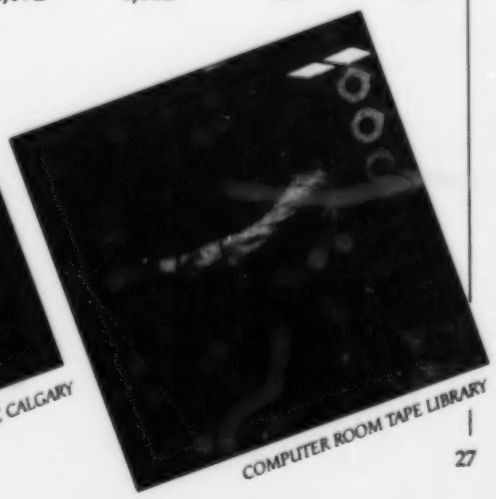


AUTOMATION — LOCAL AREA NETWORK



CONTROL ROOM OPERATOR

E.D.P. AUDIT, CALGARY



COMPUTER ROOM TAPE LIBRARY

• BRANCH LOCATIONS & MANAGEMENT •

As at May 31, 1989

Northern Branches

Supported by Edmonton General Office

Corporate Banking Officers

E.K. Heistad

C.P.J. Hollinger

J.L. Janz

C.E. Kennedy

P.A. Liber

F.T. Oakey

C.J. Raymond

D.M. Sperling

L.C. West

R.W. Yaremcio

Branches	Management
Andrew	E.L. Roseberry
Athabasca	G.J. Aasen
Barrhead	R.K. Montroy
Beaverlodge	K.J. Longson
Bonnyville	W.G. Walker
Boyle	A.M. Frederick
Breton	M.J. Piquette
Bruderheim	J.R. Murdoch
Camrose	R.J. Winter
Cold Lake	E.F. Brown
Daysland	D.C. Rowland
Drayton Valley	R.D. Jenkins
Edmonton	
Main	T.E. Semeniuk
Deputy	J.W. Hamblin
Calder	D.L. Mardling
First Edmonton Place	L.J. Leroux
Deputy	M.F. Ryan
Hys Centre	R.H.L. Tuffs
Jasper Place	R.L. Mann
Killarney	B.E. Lewis
Millwoods	L.A. Flewelling
9888	D.E. Bruns
118th Avenue	G.L. IsRalson
Pepper Tree	W.E. Jamieson
South	B.M. Kennedy
Terrace Plaza	J.B. Durrant
West Edmonton Mall	D.B. Hastings
Edson	M.L. Michaelis
Elk Point	W.J. Trembley
Fairview	L.M. Kinley
Falher	J.G. LeDrew
Fort McMurray	G.E. West
Fort Saskatchewan	H.R. Clendenning
Fort Vermilion La Crete	W.D. Garrett
Grand Centre	R.B. Jenkins
Grande Prairie	
100 Avenue	G.R. Schoettler
Deputy	A.W. Brandon
Prairie Mall	S.K. Farrell
Grimshaw	A.A. Fuller
High Level	T.D. Allan
High Prairie	K.B. Nilson
Hinton	D.R. Killam
Hythe	D.R. Rawleigh
Killam	R.J. Thomas
Lac La Biche	T.A. Berger
Lamont	D.M. Morrical
Leduc	D.D. Tarrant
Lloydminster	A.L. Henuset
Manning	R.M. Greenhill
Mayerthorpe	M.D. Cowan
McLennan	L.L. Leclerc
Onoway	B.A. Stepaniuk
Peace River	D. O'Connell
Ponoka	D.L. LeClaire
Redwater	S.G. Antos
Rycroft	G.A. Iftody
Ryley	L.C. Neufeld
St. Albert	R.S. Boone
St. Paul	A. Popovic
Sherwood Park	A.L. Brown
Slave Lake	W.A. Smith
Smoky Lake	L.J. Marthaller
Spirit River	R.J. Chambers
Spruce Grove	B.G. Gilbertson
Stony Plain	G.C. Hildebrand
Thorsby	L.G. Anderson
Tofield	R.P. Landry
Two Hills	K.A. Buchholz
Valleyview	W.G.H. Brown
Vegreville	M.A. Benson
Vermilion	K.J.P. Pugh
Viking	L.A. Borman
Wainwright	M.W. Bragg
Westlock	R.A. Knudslien
Wetaskiwin	A.W. Hall
Whitecourt	D.A. MacLennan
Wildwood	D.K. Firkus

Southern Branches

Supported by Calgary General Office

Corporate Banking Officers

L.R. Beckner

K.R. Black

K.G. Burton

D.M. Dingwall

M.F. Dombrova

C.J. Fisher

K.S. Laird

R.G. Matthews

D.H. Shifflett

Branches	Management
Airdrie	R.J. Martin
Black Diamond	R.E. McNair
Bow Island	B.L. Kosinski
Brooks	W.D. Peterson
Calgary	
Main (Esso Plaza)	
Manager, Credit	J.A. Robbins
Alberta Hotel	W.M. Suggitt
Brentwood	D.T.E. Keen
Chinook Centre	D.A. Hoopfer
Forest Lawn	L.O.N. Frebrowski
Macleod Village	D.A. Knight
North Hill	H.T. Young
Deputy	E.J. Pelham
Sunridge	B.D. Moir
17th Avenue S.W.	J.G. Nelson
34th Avenue S.W.	M.E. Guiochet
6th Avenue S.W.	V.K.H. Schalike
Deputy	R.A. Sutherland
Cardston	G.O. Christensen
Caroline	R.L. Astle
Carstairs	H. Penner
Castor	L.J. Atkison
Claresholm	P.W. Edgell
Coaldale	L.I. Brown
Cochrane	E.L. Robertson
Consort	S.J. Badry
Coronation	R.K. Welz
Crossfield	Z.O. Hawryliw
Didsbury	B.P. Kaupp
Drumheller	K.R. Gremm
Forestburg	J.D. Dyck
Fort Macleod	W.G. Deederly
Granum	C.L. Bailey
Hanna	W.J. Kohlman
Innisfail	C.D. Stewart
Lacombe	W.D. Yizek
Lethbridge	E. Sonnenberg
Deputy	D.M. Posmituck
Linden	P.W. Stade
Magrath	S.S. Kado
Medicine Hat	
2nd Street	G.D. McKee
Carry Drive	R.B. Switzer
Milk River	K.A. Somcher
Nanton	D.J. Wizniuk
Okotoks	M.K. Dalton
Olds	J.G. Reoch
Oyen	L.L. Grewer
Picture Butte	H.D. Smart
Pincher Creek	J.E. Starcheski
Provost	J.D. Klasson
Raymond	I.H. Van Dellan
Red Deer	
50th Street	J.L. Ireland
Riverside	G.P. Kerby
Rimbey	J.E. Wilson
Rocky Mountain House	J.J. Kalansky
Stettler	D.D. Robertson
Strathmore	R.B. Forness
Sundre	G.R. Woolley
Taber	M.D. Fossen
Three Hills	K.A. Lock
Trochu	R.J. Phillips
Vulcan	G.W. Henderson

• TREASURY BRANCH AGENCIES •

Agency Locations, Agents & Supporting Branches as at May 31, 1989

Agency	Agent	Supporting Branch
Acadia Valley	M.R. Peers	Oyen
Alberta Beach	H. Steiner	Onoway
Alder Flats	F. Seely	Drayton Valley
Alix	M. Stingel	Lacombe
Alliance	L. Miller	Killam
Amisk	M. Horn	Killam
Banff	J.M.P. Dupuis	Calgary Main
Bashaw	E. Rutz	Camrose
Bassano	H. Paton	Brooks
Bawlf	L.C. Piro	Camrose
Beiseker	F. Bell	Airdrie
Benalto	A. Sterling	Red Deer Riverside
Bentley	D.B. Dickau	Lacombe
Berwyn	E. Garrow	Grimshaw
Blackfalds	W. Tutty	Red Deer Riverside
Blairmore	A. Martini	Pincher Creek
Blue Ridge	P. Archer	Mayerthorpe
Bon Accord	E. DeLeeuw	Edmonton Killarney
Bowden	G. Hubschmid	Olds
Bragg Creek	C. McLachlan	Cochrane
Bruce	C.I. Fredericks	Viking
Calmar	B. Dupuis	Leduc
Canmore	Hoeppner Financial Group Inc.	Cochrane
Carbon	V. Reed	Drumheller
Carmangay	L. Teskey	Vulcan
Cereal	T. Olsen	Hanna
Chauvin	B.A. Swanson	Provost
Chipman	P. Tomkow	Lamont
Clive	M. Stingel	Lacombe
Clyde	P. Swan	Westlock
Compeer	P.D. Cowan	Consort
Coutts	E.E. Thiessen	Milk River
Cremona	P. Cummings	Cochrane
Czar	S. Ussleman	Provost
Delburne	N. Deuchar	Red Deer 50 Street
Derwent	E. Kisters	Vermilion
Devon	T. Johnson	Leduc
Duchess	C. Lucas	Brooks
Eaglesham	B.C. Lee	Rycroft
Eckville	I. Baxter	Red Deer Riverside
Edberg	G. Lundstrom	Camrose
Edgerton	C.D. Granigan	Wainwright
Elnora	M.S. Tyess	Trochu
Enchant	F. Hanson	Picture Butte
Evansburg	M. Nikolayuk	Wildwood
Faust	M.D. MacIntosh	High Prairie
Fawcett	B.L. Clark	Westlock
Ferintosh	D. Richmond	Camrose
Foremost	J. Griffiths	Bow Island
Fort Assiniboine	L. Redington	Barrhead
Fort Chipewyan	J. Tuccaro	Fort McMurray
Galahad	V. Sanche	Forestburg
Glendon	R.J. Kastelen	St. Paul
Grande Cache	U. Kapur	Hinton
Halkirk	M. Draganuk	Castor
Hardisty	W.S. Pedlar	Killam
Hay Lakes	W. Berg	Camrose
Heisler	L. Matthiessen	Daysland
Hill Spring	G.C. Tolman	Cardston
Holden	F. Irwin	Ryley
Irma	E. Lewis	Wainwright
Irricana	D. Kelly	Airdrie
Irvine	H.A. Wiedemann	Medicine Hat 2nd Street
Islay	G. Roebuck	Vermilion
Kitscoty	J. Mason	Lloydminster
Lake Louise	Union Market Inc.	Calgary Main
Lomond	T. Hollwey	Vulcan
Lougheed	E. Losness	Killam
Mallaig	L. Dechaine	St. Paul
Mannville	L. Kuntz	Vermilion
Marwayne	S. Kneen	Lloydminster
Metiskow	D. Christensen	Provost
Millet	Mullen Insurance Brokers Ltd.	Leduc
Minburn	A. Gray	Vermilion
Mirror	R. Honecker	Lacombe
Morrin	K.R. Dawson	Drumheller
Mundare	D.A. McCarty	Vegreville
Myrnam	E. Sosnowski	Two Hills
Nampa	E. Krall	Peace River
Newbrook	B.A. Dowhan	Boyle
New Norway	J.E. Wells	Camrose
New Sarepta	L. Kellert	Sherwood Park
Nobleford	D.J. Lang	Picture Butte
Paradise Valley	S. Symes	Lloydminster
Peers	W. Burns	Edson
Plamondon	D. Kruk	Lac La Biche
Radway	S. Hamilton	Redwater
Rainbow Lake	J. McCrindle	High Level
Redcliff	K. Oikawa	Medicine Hat 2nd Street
Rochester	J. Simmons	Athabasca
Rockyford	M. Gardner	Strathmore
Rolling Hills	D. Schneider	Brooks
Rosemary	J. Parker	Brooks
Sangudo	P.G. Barnes	Mayerthorpe
Sedgewick	R.F. Pottage	Killam
Sexsmith	P. Hollingworth	Grande Prairie Mall
Standard	B. Gates	Strathmore
Stirling	B. Weatherill	Raymond
Strome	B. Wolbeck	Killam
Swan Hills	369896 Alberta Ltd.	Barrhead
Sylvan Lake	J.M.E. May	Red Deer Riverside
Tangent	T. Laurin	Falher
Thorhild	P. Chomay	Redwater
Tilley	D. Rawleigh	Brooks
Torrington	D. Bauer	Three Hills
Vauxhall	W. Armstrong	Taber
Veteran	R.A. Edwards	Coronation
Vilna	C.E. Dagley	St. Paul
Wabamun	R. Marcinkoski	Stony Plain
Wabasca	G. Auger	Slave Lake
Wandering River	J.M. Mercantile Ltd.	Lac La Biche
Wanham	O. Melnyk	Rycroft
Warburg	P. Schnick	Breton
Waskatenau	A. Toews	Smoky Lake
Waterton Park	R. Uibel	Pincher Creek
Wembley	R. Eagar	Grande Prairie 100 Avenue
Willingdon	J.E. Eliuk	Vegreville
Winfield	E. Magnan	Breton
Worsley	M. Ponath	Fairview
Youngstown	M. Logelin	Hanna

EDMONTON MAIN BRANCH 1938/1989

CALGARY MAIN BRANCH 1938/1989

Section 5 of The Treasury Branches Act

"The repayment by the Minister of money deposited with him under this Act, and interest payable on that money is guaranteed by the Crown in right of Alberta."